



NATIONAL CONSUMER COMMISSION

a member of the dti group

P.O Box 33626, Menlo Park 0102, Building C, South African Bureau of Standards Campus, Groenkloof, Pretoria 0027. Tel: 012 428 7000

**04 August 2020**

**ACTING COMMISSIONER'S ADDRESS: UP MONEY PYRAMID SCHEME MEDIA BRIEFING**

**NCC executive**

**Deputy National Director of Public Prosecutions (DNDPP) and Head of Asset Forfeiture Unit: Adv Ouma Rabaji-Rasethaba**

**Financial Intelligence Centre executive**

**Members of the media present here and those connecting through WhatsApp and other platforms, South Africans.**

**Good morning**

The National Lockdown as announced by His Excellency, President Cyril Ramaphosa, on 23 March as a way to curb the spread of Covid-19; resulted in hundreds of South Africans losing their income or receiving less than what they normally received. While the country was grappling the effects of Covid-19 and the National Lockdown, most South Africans took a knock and **food security was threatened**. Unscrupulous people used the Covid-19 disaster to their advantage and preyed on desperate and unsuspecting victims. This was the case with a pyramid scheme the Commission is investigating in the past few weeks.

During the period of the hard lockdown, social media platforms were and are still flooded with pyramid schemes promising to double your money over the shortest period of time. They only sell a fantasy. The idea of getting rich quickly always result in most consumers losing their hard earned cash. While some of these schemes require the smallest joining fee, the initiators of the schemes benefit the most. These pyramid schemes promise unrealistic returns and unfortunately, consumers fall for it.

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The problem is that by the time we are alerted, or any of the authorities is alerted, someone has already lost their money. Initiators and promoters of pyramid, multiplication, quick-cash making schemes, recruitment investments, you name them, are looking at every opportunity to make their next move. Remember, if it is too good to be true, it probably is!

### **How did we find out about Up Money?**

The Commission noticed trends in the media and was also alerted by other regulators of suspicious activities on Up Money in their respective jurisdiction. The *modus operandi* of Up Money was to use social media to solicit members of the public to be part of the scheme. In order to receive the promised meat and or grocery packs, participants are required to pay a once off joining fee of R180 and to recruit five new participants. As is typical of all pyramid schemes, new participants made up the base of the pyramid and provided funding for participants who were recruited prior to them and who occupy higher levels in the scheme.

The Up Money Pyramid Scheme promised participants monthly meat and grocery packs and monthly financial rewards. The Up Money Pyramid Scheme worked as follows:

- ▶ If participant “A” pays R180 and recruits five new members who also pay their R180 (bringing the total number of people to 6 and their sum paid to R1080), then the participant receives a monthly meat pack. This is level 1.
  
  - ▶ If recruits of participant “A” also recruit five new members each who also pay their R180 bringing the total cell to a number of 31 people and the amount paid to the scheme to R5580; participant “A” receives a monthly grocery pack and R500. This is level 2.
  
  - ▶ If the entire lowest level of 25 recruits of participant “A” also recruit five new members each who also pay their R180, they add on additional 125 recruits, bringing the total cell to 156 people and the amount paid to R28 080); participant “A” then receives a monthly grocery pack, monthly meat pack and R3000. This is level 3.
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### **What is the role of the NCC in this scenario?**

The NCC is charged with the responsibility to enforce and carry out the functions assigned to it in terms of the CPA.

The policy and purpose of the CPA is to promote and advance the social and economic welfare of consumers in South Africa by:

- Promoting fair business practices;
- Protecting consumers from:
  - unconscionable, unfair, unreasonable, unjust or otherwise improper trade practices; and
  - deceptive, misleading, unfair or fraudulent conduct.

### **Consumer Protection Act and Pyramid Schemes.**

In terms of Section 43 of the Act, it is a prohibited conduct for any person to directly or indirectly promote or join, participate in any of the following schemes:

- A multiplication Scheme,
- A Pyramid scheme or
- Chain letters

The prohibition applies to initiators, recruiters and participants. Up Money initiators/ directors people to join the scheme and promised high returns based on recruiting other members into the scheme (what they refer to as down-liners). **When a pyramid scheme is under investigation, all participants become subjects of investigation.**

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## Our investigation

Pursuant to suspicious activities that were picked up by the FIC, complaints posted by consumers, the National Consumer Commission deemed it fit to conduct a investigation. It then appointed a team of investigators to dig deeper into Up Money. Our investigations revealed that:

- Up Money is a pyramid scheme;
- 44% of the money contributed goes to the directors of Up Money, while only 56% goes to different levels (will be shared by those who will earn the profits).
- Section 43(2)(b) of the Consumer Protection Act 68 of 2008 (**CPA**) was contravened by:
  - The Directors of Up Money,
  - The promoters of Up Money (the ones advertising and recruiting on social media); and
  - All those who joined Up Money.

Following requests from the NCC, the FIC analysed Up Money's bank statements and established that:

- From 04 May 2020 to 02 July 2020, Up Money members made over 221, 976 deposits of R180 into the Up Money's First National Bank Gold business account. These deposits totalled R42. 72 million
  - Over R14.5 million was dissipated through point of sale purchases at various retail stores.
  - An amount of R3. 95 million was transferred from Up Money's First National Bank Gold Business account into an account held by a company called Uniitco.
  - Uniitco and Up Money are linked through the directorship and a business address. One of the directors in Up Money is a sole director in Uniitco and is also the signatory on both Up Money and Uniitco bank accounts.
  - Between 24 May 2020 and 15 June 2020, 3 luxury vehicles, namely, a Hummer H3, an Audi TT Coupe and a Jaguar XKR Coupe were purchased. Uniitco paid for all these vehicles and they were all not registered as company assets but were registered in the name of the director of both Uniitco and Up Money.
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Over the last two weeks, based on evidence provided by the FIC and the NCC, the Asset Forfeiture Unit (AFU) obtained preservation orders in the Gauteng Local Division, Johannesburg for the preservation of the following assets:

- An amount of R18. 36 million held in a First National Bank Gold business account in the name of Up Money (Pty) Ltd.
- An amount of R205 586. 00 held in the name of Uniitco (Pty) Ltd. This further account was identified by the FIC as having received the proceeds from the First National Bank Gold business account to the tune of R3, 950 000
- Three luxury vehicles: an Audi TT, a Hummer H3 and a Jaguar XKR Coupe, which were purchased directly from the Uniitco (Pty) Ltd bank account and registered in the private name of a director.

The co-operation of the Financial Intelligence Centre, Asset Forfeiture Unit and the NCC is testimony that when government entities join forces, they make a formidable front that serves as a deterrent to unscrupulous people and ensures that crime will not pay. The NCC would like to remind consumers that as a participant or a member of a pyramid scheme you are legally responsible for the claims you make about the scheme, a company, its product, and the business opportunities it offers.

The three entities, the NCC, the FIC and the AFU will continue with their efforts to suppress these deceptive and fraudulent conduct and try to protect some innocent people from being swindled out of their hard earned money. Members of the public are warned not to participate in schemes such as these which make unrealistic claims and encourage people to part with their money while directors of the schemes are enriching themselves.

The NCC warns the public to be aware of the schemes they are joining as in this case of Up Money. The preliminary findings is that the scheme was established to enrich the Directors as 44% of contributions was solely used by the directors in the form of banking and administration charges; making it unsustainable to pay all the promised commissions and buy grocery packs without recruiting more members. Assets (Luxury vehicles) that were bought are in the personal name of a director/s.

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**The telling signs of such a scheme include:**

- Claims of big returns that are very high, especially if it is above 20% of the REPO rate.
- Asking you to recruit more members for you to earn your profit;
- Pay-outs are made from new recruits, not from profits;
- You advance in the hierarchy levels through the recruitment of others;
- The scheme's is not registered with Financial Service Conduct Authority as a financial service.

The NCC is pleading with you as a responsible citizen and member of a community that you should be honest in your dealings. If you recruit other people into prohibited/ illegal activities, think of the relationships that may be severed, trust that may never be restored, but mostly the economic hardships that others would suffer and may not be able to recover from in this lifetime. Is it worth, especially during this period when every Rand counts?

As regulators in this space, we are warning you that it is prohibited to participate in pyramid schemes and we will continue to suppress such activities where possible.

I thank you.

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